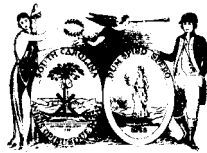


State of South Carolina



Office of the State Auditor

1401 MAIN STREET, SUITE 1200
COLUMBIA, S.C. 29201

THOMAS L. WAGNER, JR., CPA
STATE AUDITOR

(803) 253-4160
FAX (803) 343-0723

February 25, 2002

Mr. Craig G. DeKany, Reimbursement Manager
HCR-Manor Care
Post Office Box 10086
Toledo, Ohio 43699-0086

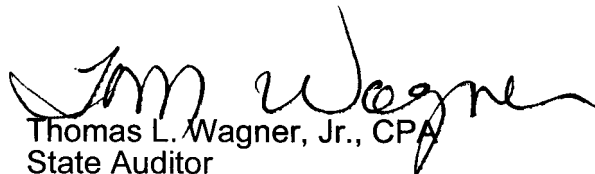
Re: AC# 3-OKE-J9 – Health Care & Retirement Corporation of America
d/b/a Oakmont East Nursing Center

Dear Mr. DeKany:

The accompanying report has been prepared by our office based on your Medicaid Financial and Statistical Report submitted to the Department of Health and Human Services for the cost report period October 1, 1998 through September 30, 1999. That report was used to set the rate covering the contract period beginning October 1, 2000.

We are recommending that the Department of Health and Human Services certify an accounts receivable to recover amounts due as a result of the rate change shown on Exhibit A. You will be notified of repayment terms by that Agency.

If you take exception to this report in any manner, you have the right to appeal in accordance with the Code of Laws of South Carolina, 1976 as amended, Title 44, and Department of Health and Human Services Regulation R.126-150, and you must respond in writing within thirty (30) calendar days of the date of this letter. This written response must address the specific items in the report being appealed, and must be directed to the Appeals and Hearings, Department of Health and Human Services, Post Office Box 8206, Columbia, South Carolina 29202-8206. Any correspondence should include the control number appearing on Exhibit A of this report.


Thomas L. Wagner, Jr., CPA
State Auditor

TLWjr/kss

cc: Ms. Brenda L. Hyleman
Mr. Jeff Saxon
Mr. Joseph P. Hayes

**HEALTH CARE & RETIREMENT
CORPORATION OF AMERICA
D/B/A OAKMONT EAST NURSING CENTER

GREENVILLE, SOUTH CAROLINA**

**CONTRACT PERIOD
BEGINNING OCTOBER 1, 2000
AC# 3-OKE-J9**

**AGREED-UPON PROCEDURES REPORT

ON CONTRACT

FOR

PURCHASE OF NURSING CARE SERVICES

WITH

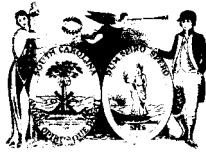
STATE OF SOUTH CAROLINA

DEPARTMENT OF HEALTH AND HUMAN SERVICES**

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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

July 26, 2001

Department of Health and Human Services
State of South Carolina
Columbia, South Carolina

We have performed the procedures described below, which were agreed to by the South Carolina Department of Health and Human Services, solely to compute the rate change and related adjusted reimbursement rate to be used by the Department in determining the reimbursement settlement with Health Care & Retirement Corporation of America d/b/a Oakmont East Nursing Center, for the contract period beginning October 1, 2000, and for the twelve month cost report period ended September 30, 1999, as set forth in the accompanying schedules. The management of Health Care & Retirement Corporation of America d/b/a Oakmont East Nursing Center is responsible for the Financial and Statistical Report for Nursing Homes and supporting accounting and statistical records. This agreed-upon procedures engagement was performed in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the Department of Health and Human Services. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

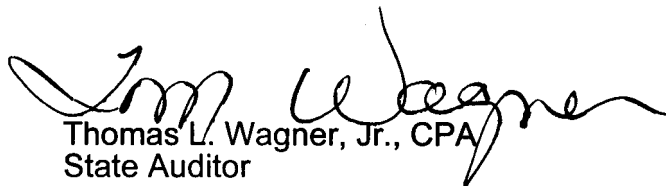
The procedures and the associated findings are as follows:

1. We tested selected costs or areas based on our analytical procedures applied to the reimbursable Medicaid program costs as shown on the Financial and Statistical Report for Nursing Homes, as filed by Health Care & Retirement Corporation of America d/b/a Oakmont East Nursing Center, to determine if these costs were allowable as defined by the State Plan for Medicaid reimbursement purposes and supported by accounting and statistical records maintained by the provider. Our findings as a result of these procedures are presented in the Adjustment Report, Summary of Costs and Total Patient Days, and Cost of Capital Reimbursement Analysis sections of this report.
2. We recomputed the Computation of Reimbursement Rate using the adjusted costs and calculated the rate change in accordance with the provisions of the contract between the Department of Health and Human Services and Health Care & Retirement Corporation of America d/b/a Oakmont East Nursing Center dated as of October 1, 1994 as amended. Our findings as a result of these procedures are presented in the Computation of Rate Change and Computation of Adjusted Reimbursement Rate sections of this report.

Department of Health and Human Services
State of South Carolina
July 26, 2001

These agreed-upon procedures do not constitute an audit of financial statements or any part thereof, the objective of which is the expression of an opinion on the financial statements or a part thereof. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the South Carolina Department of Health and Human Services and is not intended to be and should not be used by anyone other than the specified party.



Thomas L. Wagner, Jr., CPA
State Auditor

OAKMONT EAST NURSING CENTER

Computation of Rate Change
For the Contract Period
Beginning October 1, 2000
AC# 3-OKE-J9

	Beginning- <u>10/01/00</u>
Interim reimbursement rate (1)	\$98.44
Adjusted reimbursement rate	<u>96.41</u>
Decrease in reimbursement rate	\$ <u>2.03</u>

- (1) Interim reimbursement rate from the South Carolina Medicaid Management Information System (MMIS) Provider Rate Listing dated December 19, 2000

OAKMONT EAST NURSING CENTER
Computation of Adjusted Reimbursement Rate
For the Contract Period Beginning October 1, 2000
AC# 3-OKE-J9

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$45.48	\$50.24	
Dietary		9.85	10.12	
Laundry/Housekeeping/Maint.		<u>7.96</u>	<u>8.88</u>	
Subtotal	<u>\$4.85</u>	63.29	69.24	\$63.29
Administration & Med. Rec.	<u>\$ -</u>	<u>11.56</u>	<u>10.55</u>	<u>10.55</u>
Subtotal		74.85	<u>\$79.79</u>	73.84
<u>Costs Not Subject to Standards:</u>				
Utilities		2.05		2.05
Special Services		.15		.15
Medical Supplies & Oxygen		3.70		3.70
Taxes and Insurance		1.62		1.62
Legal Fees		<u>.12</u>		<u>.12</u>
TOTAL		<u>\$82.49</u>		81.48
Inflation Factor (3.20%)				2.61
Cost of Capital				10.25
Cost of Capital Limitation				(2.40)
Profit Incentive (Max. 3.5% of Allowable Cost)				-
Cost Incentive				4.85
Effect of \$1.75 Cap on Cost/Profit Incentives				(3.10)
Nurse Aide Staffing Add-On 10/01/99				1.10
Nurse Aide Staffing Add-on 10/01/00				<u>1.62</u>
ADJUSTED REIMBURSEMENT RATE				<u>\$96.41</u>

OAKMONT EAST NURSING CENTER
Summary of Costs and Total Patient Days
For the Cost Report Period Ended September 30, 1999
AC# 3-OKE-J9

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	Adjustments		<u>Adjusted Totals</u>
		<u>Debit</u>	<u>Credit</u>	
General Services	\$2,101,274	\$ 44,679 (5)	\$ 176 (3) 61 (3) 34,017 (5) 7,965 (6)	\$2,103,734
Dietary	459,986	743 (5)	2,015 (3) 388 (6) 2,693 (9)	455,633
Laundry	113,177	-	137 (5)	113,040
Housekeeping	151,622	1,126 (7)	296 (3) 1,113 (8)	151,339
Maintenance	33,849	70,902 (5) 242 (6) 246 (7)	562 (3) 752 (8) 300 (9)	103,625
Administration & Medical Records	508,061	16,904 (5) 18,776 (6) 3,933 (7)	3,415 (3) 829 (5) 6,485 (8) 2,261 (9)	534,684
Utilities	162,916	6,810 (4) 1,188 (7)	209 (3) 75,130 (5) 69 (6) 686 (8)	94,820
Special Services	35,811	-	1 (9) 28,650 (10)	7,160
Medical Supplies & Oxygen	188,289	-	634 (3) 10,275 (5) 2,474 (6) 3,804 (9)	171,102
Taxes and Insurance	111,675	818 (7)	33,382 (2) 3,383 (6) 568 (8)	75,160

OAKMONT EAST NURSING CENTER
 Summary of Costs and Total Patient Days
 For the Cost Report Period Ended September 30, 1999
 AC# 3-OKE-J9

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	Adjustments		<u>Adjusted Totals</u>
		<u>Debit</u>	<u>Credit</u>	
Legal Fees	14,091	121 (7)	5,910 (3) 2,812 (6) 74 (8)	5,416
Cost of Capital	509,043	15 (1) 3,765 (5) 2,518 (7) <u>2,612 (11)</u>	41,741 (6) 2,314 (8)	473,898
Subtotal	4,389,794	175,398	275,581	4,289,611
Ancillary	276,851	-	28,631 (5)	248,220
Non-Allowable	665,420	33,382 (2) 12,026 (5) 39,814 (6) 11,992 (8) 9,059 (9) <u>28,650 (10)</u>	15 (1) 9,950 (7) 2,612 (11)	787,766
Total Operating Expenses	<u>\$5,332,065</u>	<u>\$310,321</u>	<u>\$316,789</u>	<u>\$5,325,597</u>
Total Patient Days	<u>46,253</u>	<u>-</u>	<u>-</u>	<u>46,253</u>
Total Beds	<u>132</u>			

OAKMONT EAST NURSING CENTER
Adjustment Report
Cost Report Period Ended September 30, 1999
AC# 3-OKE-J9

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Other Equity	\$112,162	
	Cost of Capital	15	
	Fixed Assets		\$ 83,951
	Accumulated Depreciation		28,211
	Nonallowable		15
	To adjust fixed assets and related depreciation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
2	Nonallowable	33,382	
	Taxes and Insurance		33,382
	To adjust liability insurance expense HIM-15-1, Section 2304		
3	Retained Earnings	13,278	
	Nursing		176
	Restorative		61
	Dietary		2,015
	Housekeeping		296
	Maintenance		562
	Administration		3,415
	Legal		5,910
	Utilities		209
	Medical Supplies		634
	To properly charge expense applicable to the prior period HIM-15-1, Section 2302.1		
4	Utilities	6,810	
	Intercompany - Oakmont West		6,810
	To record shared service allocation HIM-15-1, Section 2304		

OAKMONT EAST NURSING CENTER
Adjustment Report
Cost Report Period Ended September 30, 1999
AC# 3-OKE-J9

ADJUSTMENT <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
5	Restorative	44,679	
	Dietary	743	
	Maintenance	70,902	
	Medical Records	16,904	
	Cost of Capital	3,765	
	Nonallowable	12,026	
	Nursing		34,017
	Laundry		137
	Administration		829
	Utilities		75,130
	Medical Supplies		10,275
	Ancillary		28,631
	To adjust shared service allocation		
	HIM-15-1, Section 2304		
	State Plan, Attachment 4.19D		
6	Maintenance	242	
	Administration	18,776	
	Nonallowable	39,814	
	Nursing		7,965
	Dietary		388
	Legal		2,812
	Utilities		69
	Taxes and Insurance		3,383
	Medical Supplies		2,474
	Cost of Capital		41,741
	To adjust home office cost allocation		
	HIM-15-1, Section 2304		
	State Plan, Attachment 4.19D		
7	Housekeeping	1,126	
	Maintenance	246	
	Administration	3,933	
	Legal	121	
	Utilities	1,188	
	Taxes and Insurance	818	
	Cost of Capital	2,518	
	Nonallowable		9,950
	To reverse Provider/DH&HS adjustment to		
	remove indirect cost applicable to a		
	non-reimbursable cost center		
	HIM-15-1, Section 2102.3		
	State Plan, Attachment 4.19D		

OAKMONT EAST NURSING CENTER

Adjustment Report

Cost Report Period Ended September 30, 1999

AC# 3-OKE-J9

ADJUSTMENT			
<u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
8	Nonallowable	11,992	
	Housekeeping		1,113
	Maintenance		752
	Administration		6,485
	Legal		74
	Utilities		686
	Taxes and Insurance		568
	Cost of Capital		2,314
	To remove indirect cost applicable to a non-reimbursable cost center HIM-15-1, Section 2102.3 State Plan, Attachment 4.19D		
9	Nonallowable	9,059	
	Dietary		2,693
	Maintenance		300
	Administration		2,261
	Medical Supplies		3,804
	Special Services		1
	To remove special (ancillary) services reimbursed by Medicare State Plan, Attachment 4.19D		
10	Nonallowable	28,650	
	Special Services		28,650
	To adjust co-insurance for Medicare Part B services State Plan, Attachment 4.19D		
11	Cost of Capital	2,612	
	Nonallowable		2,612
	To adjust capital return State Plan, Attachment 4.19D		
	TOTAL ADJUSTMENTS	\$435,761	\$435,761

Due to the nature of compliance reporting, adjustment descriptions and references contained in the preceding Adjustment Report are provided for general guidance only and are not intended to be all-inclusive.

OAKMONT EAST NURSING CENTER
Cost of Capital Reimbursement Analysis
For the Cost Report Period Ended September 30, 1999
AC# 3-OKE-J9

Original Asset Cost (Per Bed)	\$ 15,618
Inflation Adjustment	<u>2.3156</u>
Deemed Asset Value (Per Bed)	36,165
Number of Beds	<u>132</u>
Deemed Asset Value	4,773,780
Improvements Since 1981	1,928,648
Accumulated Depreciation at 09/30/99	<u>(2,007,784)</u>
Deemed Depreciated Value	4,694,644
Market Rate of Return	<u>.060</u>
Total Annual Return	281,679
Return Applicable to Non-Reimbursable Cost Centers	(2,113)
Allocation of Interest to Non-Reimbursable Cost Centers	<u>846</u>
Allowable Annual Return	280,412
Depreciation Expense	198,685
Amortization Expense	1,612
Capital Related Income Offsets	(4,497)
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>(2,314)</u>
Allowable Cost of Capital Expense	473,898
Total Patient Days (Minimum 96% Occupancy)	<u>46,253</u>
Cost of Capital Per Diem	\$ <u><u>10.25</u></u>

OAKMONT EAST NURSING CENTER
Cost of Capital Reimbursement Analysis
For the Cost Report Period Ended September 30, 1999
AC# 3-OKE-J9

6/30/89 Cost of Capital and Return on Equity	
Capital Per Diem Reimbursement	\$ 3.86
Adjustment for Maximum Increase	<u>3.99</u>
Maximum Cost of Capital Per Diem	\$ <u>7.85</u>
Reimbursable Cost of Capital Per Diem	\$ 7.85
Cost of Capital Per Diem	\$ <u>10.25</u>
Cost of Capital Per Diem Limitation	\$ <u>(2.40)</u>

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